

Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicants' Representations

1. National Equity Trust, a unit investment trust registered under the Act, consists of several series (each a "Series"). All of the Series currently outstanding are Low 5 Series ("Low 5 Series"). Prudential is the Series' sponsor. Applicants request that the relief sought herein apply to future Series for which Prudential serves as sponsor.

2. The investment objective of each Low 5 Series is total return through investment in certain stocks from among those comprising the entire related index ("Index") (e.g., the Dow Jones Industrial Average). Each Low 5 Series acquires approximately equal values of the five lowest dollar price per share stocks of the ten stocks in the Index having the highest dividend yields as of a specified date ("Select Five") and holds those stocks for approximately one year. Prudential intends that, as each Low 5 Series terminates, a new Series based on the appropriate Index will be offered for the next year.

3. Each Series has or will have a date (a "Rollover Date") on which holders of units in that Series (a "Rollover Series") may at their option redeem their units in the Rollover Series and receive in return units of a subsequent Series of the same type (a "New Series") which is created on or about the Rollover Date, and has a portfolio which contains securities ("Qualified Securities"). Qualified Securities are securities that are (a) actively traded (*i.e.*, have had an average daily trading volume in the preceding six months of at least 500 shares equal in value to at least 25,000 United States dollars) on an exchange (a "Qualified Exchange") which is either (i) a national securities exchange which meets the qualifications of section 6 of the Securities Exchange Act of 1934 or (ii) a foreign securities exchange which meets the qualifications set out in the proposed amendment to rule 12d3-1(d)(6) under the Act as proposed by the SEC and which releases daily closing prices, and (b) included in an Index.

4. There is normally some overlap from one year to the next in the stocks having the highest dividend yields in an Index and, therefore, between the portfolio of a Rollover Series and the New Series. In the case of the Select 5

on January 1, 1994 as compared to the Select 5 on January 1, 1995, two of the five securities were the same. Prudential estimates that the brokerage charge on a purchase or sale transaction averages approximately 5 cents a share. Prudential anticipates that substantial savings of commissions can be realized if a Series can purchase securities directly from a prior Series rather than using the open market as an intermediary between the two Series. Applicants, therefore, request an exemptive order to permit any Rollover Series to sell portfolio securities to a New Series and a New Series to purchase those securities.

5. In order to minimize overreaching, applicants agree that Prudential will certify to the trustee, within five days of each sale from a Rollover Series to a New Series, (a) that the transaction is consistent with the policy of both the Rollover Series and the New Series, as recited in their respective registration statements and reports filed under the Act, (b) the date of such transaction, and (c) the closing sales price on the Qualified Exchange for the sale date of the securities subject to such sale. The trustee will then countersign the certificate, unless, in the unlikely event that the trustee disagrees with the closing sales price listed on the certificate, the trustee immediately informs Prudential orally of any such disagreement and returns the certificate within five days to Prudential with corrections duly noted. Upon Prudential's receipt of a corrected certificate, if Prudential can verify the corrected price by reference to an independently published list of closing prices for the date of the transactions, Prudential will ensure that the price of units of the New Series, and distributions to holders of the Rollover Series with regard to redemption of their units or termination of the Rollover Series, accurately reflect the corrected price. To the extent that Prudential disagrees with the trustee's corrected price, Prudential and the trustee will jointly determine the correct sales price by reference to a mutually agreeable, independently published list of closing sales prices for the date of the transaction.

Applicants' Legal Analysis

1. Section 17(a) of the Act generally makes it unlawful for an affiliated person of a registered investment company to sell securities to or purchase securities from the company. Investment companies under common control may be considered affiliates of one another. The Series may be under

common control because they have Prudential as a sponsor.

2. Pursuant to section 17(b), the SEC may exempt a proposed transaction from section 17(a) if evidence establishes that: (a) The terms of the proposed transaction are reasonable and fair and do not involve overreaching; (b) the proposed transaction is consistent with the policy of each registered investment company concerned; and (c) the proposed transaction is consistent with the general purposes of the Act. Under section 6(c), the SEC may exempt classes of transactions if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act. Applicants believe that the proposed transactions satisfy the requirements of sections 6(c) and 17(b).

3. Rule 17a-7 under the Act permits registered investment companies that might be deemed affiliates solely by reason of common investment advisers, directors, and/or officers, to purchase securities from or sell securities to one another at an independently determined price, provided certain conditions are met. Paragraph (e) of the rule requires an investment company's board of directors to adopt and monitor procedures for these transactions to assure compliance with the rule. A unit investment trust does not have a board of directors and, therefore, may not rely on the rule. Applicants represent that they will comply with all of the provisions of rule 17a-7, other than paragraph (e).

4. Applicants represent that purchases and sales between Series will be consistent with the policy of the Series, as only securities that would otherwise be bought and sold on the open market pursuant to the policy of each Series will be involved in the proposed transactions. Applicants further believe that the practice of buying and selling on the open market leads to unnecessary brokerage fees on sales of securities and is therefore contrary not only to the policies of the Series but to the general purposes of the Act.

Applicants' Conditions

Applicants agree that the order granting the requested relief shall be subject to the following conditions:

1. Each sale of Qualified Securities by a Rollover Series to a New Series will be effected at the closing price of the securities sold on a Qualified Exchange on the sale date, without any brokerage charges or other remuneration except customary transfer fees, if any.